

REPORT
LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA

JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

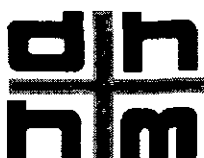
Release Date **DEC 21 2011**

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA

INDEX TO REPORT

JUNE 30, 2011

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 4
FINANCIAL STATEMENTS:	
Governmental Fund Balance Sheet/Statement of Net Assets.....	5
Statement of Governmental Fund Revenues, Expenditures and Changes in the Fund Balance/Statement of Activities	6
Notes to the Financial Statements.....	7 - 19
REQUIRED SUPPLEMENTARY INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	20
Schedule of Funding Progress – Other Postemployment Benefit Plans.....	21
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	22 - 23
SUMMARY SCHEDULE OF FINDINGS	24



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA C.P.A.'S

WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

ANN H. HEBERT, C.P.A.
HENRY L. SILVIA, C.P.A.

MICHAEL J. O'ROURKE, C.P.A.

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., CPA
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

INDEPENDENT AUDITOR'S REPORT

October 25, 2011

Honorable Joel T. Chaisson II, Co-Chair
Honorable Jim Tucker, Co-Chair
Legislative Budgetary Control Council
State of Louisiana
Baton Rouge, LA 70804

We have audited the accompanying financial statements of the Legislative Fiscal Office, State of Louisiana as of and for the year ended June 30, 2011, as listed in the index to report. These financial statements are the responsibility of the Legislative Fiscal Office's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Legislative Fiscal Office, State of Louisiana, are intended to present the financial position and results of operations of only that portion of the reporting entity of the State of Louisiana.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Legislative Fiscal Office, State of Louisiana, as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

1615 Poydras Street, Suite 2100 New Orleans, LA 70112 • (504) 586-8866 • Fax (504) 525-5888
1670 Old Spanish Trail Slidell, LA 70458 • (985) 649-9996 • Fax (985) 649-9940
247 Corporate Drive Houma, LA 70360 • (985) 868-2630 • Fax (985) 872-3833
www.dhlmcpa.com

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2011, on our consideration of the Legislative Fiscal Office, State of Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 4 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Legislative Fiscal Office, State of Louisiana's basic financial statements. The required supplementary information on page 21 is presented for additional analysis as required by the Governmental Accounting Standard Board (GASB) and is not a required part of the basic financial statements. The required supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Duplantier, Hrapmann, Hagan & Maher, LLP

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

This section of the Legislative Fiscal Office, State of Louisiana's, (the Office) annual financial report presents management's analysis of the Legislative Fiscal Office's financial performance for the year ended June 30, 2011. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS:

The Legislative Fiscal Office's net assets increased by \$29,231 due to an overall effort to decrease expenditures.

The general revenues of the Legislative Fiscal Office were \$2,435,877, which is an increase of \$54,764 from prior year.

The total expenditures/expenses of the Legislative Fiscal Office were \$2,406,646, which is a decrease of \$88,834 from prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This report consists of three sections: management's discussion and analysis, basic financial statements and required supplementary information. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

BASIC FINANCIAL STATEMENTS:

The financial statements of the Legislative Fiscal Office report information about the Legislative Fiscal Office using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the Legislative Fiscal Office.

The Governmental Fund Balance Sheet/Statement of Net Assets (page 5) presents the current and long-term portions of assets and liabilities separately.

The Statement of Governmental Fund Revenues, Expenditures and Changes in the Fund Balance/Statement of Activities (page 6) presents information on how the Legislative Fiscal Office's net assets changed as a result of current period operations.

The following presents condensed financial information of the Legislative Fiscal Office:

SUMMARY STATEMENTS OF NET ASSETS:

ASSETS:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current assets	\$ 1,364,445	\$ 1,252,715
Capital assets	<u>19,458</u>	<u>34,187</u>
Total assets	<u>1,383,903</u>	<u>1,286,902</u>

STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011

LIABILITIES:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Current liabilities	\$ 28,006	\$ 109,110
Long-term liabilities	<u>1,232,354</u>	<u>1,083,480</u>
Total liabilities	<u>1,260,360</u>	<u>1,192,590</u>
Invested in capital assets	19,458	34,187
Unrestricted	<u>104,085</u>	<u>60,125</u>
Total net assets	<u>\$ 123,543</u>	<u>\$ 94,312</u>

SUMMARY STATEMENTS OF ACTIVITIES:

	For the Year Ended <u>June 30, 2011</u>	For the Year Ended <u>June 30, 2010</u>
General revenues	\$ 2,435,877	\$ 2,381,113
Expenditures/expenses	<u>2,406,646</u>	<u>2,495,480</u>
Change in net assets	<u>\$ 29,231</u>	<u>\$ (114,367)</u>

BUDGET ANALYSIS:

A comparison of budget to actual operations is a required supplementary schedule and is presented in the accompanying supplementary information. Total expenditures were \$112,276 less than budgeted amounts primarily due to personnel services being less than the budgeted amount.

CONTACTING THE LEGISLATIVE FISCAL OFFICE'S MANAGEMENT:

This audit report is designed to provide a general overview of the Legislative Fiscal Office and to demonstrate the Legislative Fiscal Office's accountability for its finances. If you have any questions about this report or need additional information, please contact the Legislative Fiscal Office, State of Louisiana, P.O. Box 44097, Capitol Station, Baton Rouge, Louisiana 70804.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS
JUNE 30, 2011

	General Fund	Adjustments*	Statement of Net Assets
ASSETS:			
Cash in bank	\$ 1,364,445	\$ -	\$ 1,364,445
Capital assets (net of allowance for depreciation) (Note 3)	<u>-</u>	<u>19,458 (1)</u>	<u>19,458</u>
TOTAL ASSETS	<u>\$ 1,364,445</u>	<u>19,458</u>	<u>1,383,903</u>
LIABILITIES:			
Accounts payable and other accrued expenses	\$ 28,006	-	28,006
Compensated absences (Note 1):			
Current portion	-	44,988 (2)	44,988
Non-current portion	-	179,952 (2)	179,952
OPEB payable (Note 7)	<u>-</u>	<u>1,007,414 (2)</u>	<u>1,007,414</u>
Total liabilities	<u>28,006</u>	<u>1,232,354</u>	<u>1,260,360</u>
FUND BALANCE/NET ASSETS:			
Unassigned	<u>1,336,439</u>	(1,336,439)	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,364,445</u>		
NET ASSETS:			
Invested in capital assets		19,458	19,458
Unrestricted		<u>104,085</u>	<u>104,085</u>
TOTAL NET ASSETS		<u>\$ 123,543</u>	<u>\$ 123,543</u>

*Explanations

- (1) Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the General Fund.
- (2) Long-term liabilities, such as compensated absences and other postemployment benefits, are not due and payable in the current period and, therefore, are not reported in the General Fund.

See accompanying notes.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES
AND CHANGES IN THE FUND BALANCE/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Adjustments*	Statement of Activities
EXPENDITURES/EXPENSES:			
Personnel services	\$ 2,193,669	\$ 148,875 (1)	\$ 2,342,544
Professional services	6,330	-	6,330
Travel	907	-	907
Operating services	21,608	-	21,608
Supplies	20,295	-	20,295
Capital outlay	233	-	233
Depreciation (Note 3)	-	14,729 (2)	14,729
Total expenditures/expenses	<u>2,243,042</u>	<u>163,604</u>	<u>2,406,646</u>
GENERAL REVENUES:			
State appropriations	<u>2,435,877</u>	-	<u>2,435,877</u>
Total general revenues	<u>2,435,877</u>	-	<u>2,435,877</u>
Excess of revenues over expenditures/expenses	192,835	(192,835)	-
Change in net assets	-	29,231	29,231
Fund Balance/Net Assets (Deficit):			
Beginning of Year	<u>1,143,604</u>	<u>(1,049,292)</u>	<u>94,312</u>
End of Year	\$ <u>1,336,439</u>	\$ <u>(1,212,896)</u>	\$ <u>123,543</u>

***Explanations**

- (1) Expenses of long-term obligations for compensated absences and other postemployment benefits reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.
- (2) Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

See accompanying notes.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NATURE OF OPERATIONS

The Legislative Fiscal Office, (the Office) created by Title 24, Chapters 601 through 605 of the Louisiana Revised Statutes provides research and technical assistance concerning fiscal matters for the Legislative branch of government.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Governmental accounting principles and practices are promulgated and established by the Governmental Accounting Standards Board (GASB). The GASB has issued a *Codification of Governmental Accounting and Financial Reporting Standards*. This codification and subsequent GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments. The accompanying financial statements have been prepared in accordance with such pronouncements.

The following is a summary of the more significant accounting policies.

Financial Reporting Entity – Application of Section 2100 of the GASB Codification defines the governmental reporting entity (in relation to the Legislative Fiscal Office) to be the State of Louisiana. The accompanying financial statements of the Legislative Fiscal Office contain sub-account information of the General Fund of the State of Louisiana. Annually, the State of Louisiana issues financial statements, which include the activity contained in the accompanying financial statements. However, the activity may be presented or classified differently due to perspective differences. The Office has no fiduciary funds or component units.

Fund Accounting – The Legislative Fiscal Office uses fund accounting (separate set of self-balancing accounts) to reflect the sources and uses of available resources and the budgetary restrictions placed on those funds by the Louisiana Legislature. The Office has only a general fund, which is used to account for all of the Legislative Fiscal Office's activities, including the acquisition of capital assets and the servicing of long-term liabilities.

Basis of Accounting:

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting: (Continued)

The Legislative Fiscal Office presents a Statement of Net Assets and Statement of Activities. These statements reflect entity-wide operations of the Legislative Fiscal Office. The Office has only a General Fund, supported by an appropriation from the State of Louisiana and self-generated funds.

Within the accompanying statements, the General Fund column of the Statement of Net Assets and the Statement of Activities reports all activities of the Legislative Fiscal Office using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Management considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. However, as management considers it available regardless of when received, the legislative appropriation is recorded during the year, and for the year, the appropriation is made, and interest and other revenues are recorded when earned. Expenditures are recorded when a liability is incurred, as in accrual accounting. However, compensated absences and other postemployment benefits (OPEB) costs are recorded when payment is due.

The General Fund column is adjusted to create a Statement of Net Assets and Statement of Activities. Within this column, amounts are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Budgetary Practices:

The Legislative Fiscal Office is required to submit to the Legislative Budgetary Control Council an estimate of the financial requirements for the ensuing fiscal year. The General Fund appropriation is enacted into law by the Legislature and sent to the Governor for his signature. The Legislative Fiscal Office is authorized to transfer budget amounts between accounts in the General Fund. Revisions that alter total appropriations must be approved by the Legislature. The level of budgetary responsibility is by total appropriation. All annual appropriations lapse at fiscal year end, and require that any amount not expended or encumbered at the close of the fiscal year be returned to the State General Fund unless otherwise reappropriated by subsequent legislative action. Current appropriation legislation authorizes such reappropriation of prior year funds.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Budgetary Practices: (Continued)

The budget of the General Fund is prepared on the budgetary (legal) basis of accounting. In compliance with budgetary authorization, the Legislative Fiscal Office includes the prior year's fund balance represented by appropriate liquid assets remaining in the fund as a budgeted revenue in the succeeding year. The result of operations on a GAAP basis does not recognize the fund balance allocation as revenue as it represents prior period's excess of revenues over expenditures.

Encumbrance accounting is used during the year to reserve portions of the annual appropriation for unfilled purchase orders. Year-end encumbrances are not charged against the current year appropriation and are carried forward into the next budget year.

Leave Benefits:

Accumulated unpaid annual, sick and compensatory leave is reported in the Statement of Net Assets and Statement of Activities within the accompanying financial statements. The Legislative Fiscal Office's employees accrue unlimited amounts of annual and sick leave at varying rates as established by the Legislative Fiscal Office's personnel manual. Upon resignation or retirement, unused annual leave of up to 300 hours is paid to employees at the employee's current rate of pay. Upon retirement, annual leave in excess of 300 hours and unused sick leave are credited as earned service in computing retirement benefits.

Furthermore, employees earn compensatory leave for hours worked in excess of 40 hours per work week. The compensatory leave may be used similarly to annual or sick leave. At June 30, 2011, annual leave of up to 300 hours, for which employees could be paid upon resignation or retirement, and compensatory leave, computed in accordance with the *Codification of Governmental Accounting and Financial Reporting Standards* Section C60.105, total \$224,940.

The following are the changes in compensated absences (long-term obligations) during the year:

<u>Balance</u> <u>July 1, 2010</u>	<u>Net</u> <u>Change</u>	<u>Balance</u> <u>June 30, 2011</u>
<u>\$ 248,149</u>	<u>\$ (23,209)</u>	<u>\$ 224,940</u>

The additions and reductions to compensated absences during the 2010-2011 fiscal year represent the net change during the year because the additions and deductions could not be readily determined.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance:

During the fiscal year ended June 30, 2011, the Office implemented GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained for specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained for specific purposes by the Office itself, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Office takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the Office intends to use for a specific purpose that are neither considered restricted nor committed. Intent can be expressed by the Office or by an official or body to which the Office delegates the authority.
- Unassigned fund balance—the residual amount of fund balance which does not fall into one of the other components. Positive amounts are reported only in the general fund.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Fund Balance: (Continued)

Beginning fund balances for the Office's governmental funds have been restated to reflect the above classifications.

The Office applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The Legislative Fiscal Office does not have a formal minimum fund balance policy.

Net Assets:

Net assets comprise the various net earnings from revenues and expenses. Net assets are classified in the following components:

- (a) Invested in capital assets consists of the Legislative Fiscal Office's total investment in capital assets, net of accumulated depreciation.
- (b) Unrestricted, consisting of resources derived from state appropriations. These resources are used for transactions relating to general operations of the Legislative Fiscal Office and may be used at its discretion to meet current expenses and for any purpose.

2. CASH IN BANK:

Under State law, the Legislative Fiscal Office may deposit funds in an approved bank located in the State. These public deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank.

At June 30, 2011, the carrying amount of the Legislative Fiscal Office's cash account was \$1,364,445, and the bank balance was \$1,372,791. All cash was covered by federal depository insurance or pledged securities held in the name of the pledging fiscal agent bank in a holding or custodial bank.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

3. CAPITAL ASSETS:

The accompanying statements reflect furniture and equipment used by the Legislative Fiscal Office, and funded by the legislative appropriation, in daily operations. Those assets are recorded at cost. Furniture and equipment with acquisition costs of \$1,000 or greater are capitalized and depreciated as follows:

	<u>Cost</u>	<u>Allowance for Depreciation</u>	<u>Net Value</u>
Balance, July 1, 2010	\$ 120,200	\$ (86,013)	\$ 34,187
Acquisitions	-	-	-
Dispositions	(13,912)	13,912	-
Depreciation	-	<u>(14,729)</u>	<u>(14,729)</u>
Balance, June 30, 2011	<u>\$ 106,288</u>	<u>\$ (86,830)</u>	<u>\$ 19,458</u>

The depreciable assets are depreciated using the straight-line method of allocating costs over the following useful lives:

Computer equipment	5 years
Office machinery and equipment	7 years

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

4. RETIREMENT SYSTEM:

Plan Description:

Substantially all employees and members of the Legislative Fiscal Office participate in the Louisiana State Employees' Retirement System (LASERS), a cost sharing, multiple-employer defined benefit pension plan administered by a separate Board of Trustees. LASERS provides retirement, disability and survivor benefits to participating, eligible employees. Benefits are established and amended by state statute and guaranteed by the State of Louisiana under provisions of the Louisiana Constitution of 1974. LASERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Louisiana State Employees' Retirement System, P. O. Box 44213, Baton Rouge, Louisiana 70804-4213, or by calling (225) 922-0600.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

4. RETIREMENT SYSTEM: (Continued)

Funding Policy:

Plan members of the Legislative Fiscal Office are required by state statute to contribute 7 ½% or 8% (depending on their date of hire) of their annual covered salary to LASERS. The Fiscal Office (as their employer) is required to contribute at an actuarially determined rate. The current employer rate is 22% of annual covered payroll. The contribution requirements of plan members and the employer are established and amended by state law. As required by state law, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The State of Louisiana funds the employer contribution through the annual legislative appropriation. The Fiscal Office's employer contributions to LASERS for the years ended June 30, 2011, 2010 and 2009, which were equal to the required contributions for each year, were \$316,279; \$309,066; and \$302,197, respectively.

5. LITIGATION, CLAIMS AND SIMILAR CONTINGENCIES:

Losses arising from litigation, claims and similar contingencies are considered State liabilities and are paid by special appropriations made by the Louisiana Legislature. Any applicable litigation, claims and similar contingencies are not recognized in the accompanying financial statements.

At June 30, 2011, the Legislative Fiscal Office was not involved in any lawsuits or threatened litigations.

6. OTHER COSTS:

The State of Louisiana, through other appropriations, provides office space, utilities and janitorial services for the office facilities, all of which are not included in the accompanying financial statements.

7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS:

Substantially all Office employees become eligible for postemployment health care and life insurance benefits if they reach normal retirement age while working for the Office. The Legislative Fiscal Office only offers participation in the State Office of Group Benefits (OGB) Plan unless an employee transferred from another agency which offered the LSU System Health Plan. The OGB Plan also offers a life insurance plan. Information about each of these two plans is presented below.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
FINANCIAL STATEMENTS
JUNE 30, 2011

7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

LSU System Health Plan:

The plan is identified as a single-employer defined benefit healthcare plan that is not administered as a trust or equivalent arrangement. The LSU System Health Plan offers eligible employees, retirees, and their beneficiaries the opportunity to participate in comprehensive health and preventive care coverage that gives members a unique, consumer-driven health-care approach to pay routine health expenses and provides coverage for major healthcare expenses. Within the LSU System Health Plan members have a choice of selecting Option 1 or Option 2. Option 1 is more costly, but features both lower yearly deductibles and out-of-network coinsurance requirements. Effective July 1, 2009, eligible retirees are provided \$20,000 in life insurance coverage for their lifetime at no cost to the retiree.

The LSU System Health Plan selects claim and pharmaceutical administrators to administer its program. Both claim and pharmacy administrators are selected through a formal Request for Proposals process followed by negotiations between the System and qualified vendors.

The LSU System Health Plan originally began as a pilot program within the State Office of Group Benefits (OGB), the office that provides health benefits to state employees. The LSU System Health Plan does not issue a publicly available financial report, but it is included in the LSU System's audited Financial Report. The Financial Report may be obtained from the LSU System's website at <http://www.lsusystem.lsu.edu/>.

State OGB Plan:

Legislative Fiscal Office's employees may participate in the State of Louisiana's Other Postemployment Benefit Plan (OPEB Plan), an agent multiple-employer defined benefit OPEB Plan that provides medical and life insurance to eligible active employees, retirees and their beneficiaries. The OGB administers the plan. LRS 42:801-883 assigns the authority to establish and amend benefit provisions of the plan. The Office of Group Benefits does not issue a publicly available financial report of the OPEB Plan; however, it is included in the State of Louisiana Comprehensive Annual Financial Report (CAFR). You may obtain a copy of the CAFR on the Office of Statewide Reporting and Accounting Policy's website at www.doa.la.gov/osrap.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

FUNDING POLICIES

LSU System Health Plan:

While actuarially determined, the plan rates must be approved by OGB under LRS 42:851.B. Plan rates are in effect for one year and members have the opportunity to switch providers during the open enrollment period which usually occurs in April.

The plan is financed on a pay as you go basis. The pay-as-you-go expense is the net expected cost of providing retiree benefits. This expense includes all expected claims and related expenses and is offset by retiree contributions.

Depending upon the Option selected, during the year ended June 30, 2011, employee premiums for a single member receiving benefits range from \$67 to \$77 per month for retiree-only coverage with Medicare or from \$115 to \$133 per month for retiree-only coverage without Medicare. The premiums for the year ended June 30, 2011 for a retiree and spouse range from \$117 to \$268 per month for those with Medicare or from \$296 to \$404 per month for those without Medicare.

The Legislative Fiscal Office contributed anywhere from \$201 to \$232 per month for retiree-only coverage with Medicare or from \$809 to \$878 per month for retiree-only coverage without Medicare during the year ended June 30, 2011. Also, the Legislative Fiscal Office's contributions ranged from \$351 to \$803 per month for retiree and spouse with Medicare or \$1,336 to \$1,382 for retiree and spouse without Medicare.

State OGB Plan

The contribution requirements of plan members and the Office are established and may be amended by LRS 42:801-883. Employees do not contribute to their postemployment benefits cost until they become retirees and begin receiving those benefits. The retirees contribute to the cost of retiree healthcare based on a service schedule. Contribution amounts

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

FUNDING POLICIES (Continued)

vary depending on what healthcare provider is selected from the plan and if the member has Medicare coverage. The OGB offers three standard plans for both active and retired employees: the Preferred Provider Organization (PPO) Plan, the Health Maintenance Organization (HMO) plan and the Medical Home HMO (MH-HMO). Retired employees who have Medicare Part A and Part B coverage also have access to five OGB Medicare Advantage plans. Depending upon the plan selected, during fiscal year 2011, employee premiums for a single member receiving benefits range from \$80 to \$84 per month for employee-only coverage with Medicare or from \$132 to 140 per month for employee-only coverage without Medicare. The premiums for an employee and spouse for the year ended June 30, 2011 range from \$145 to \$312 per month for those with Medicare or from \$428 to \$454 per month for those without Medicare.

The plan is currently financed on a pay as you go basis, with the Legislative Fiscal Office contributing anywhere from \$241 to \$253 per month for retiree-only coverage with Medicare or from \$853 to \$900 per month for retiree-only coverage without Medicare during fiscal year 2011. Also, the Legislative Fiscal Office contributions range from \$433 to \$936 per month for retiree and spouse with Medicare or \$1,311 to \$1,382 for retiree and spouse without Medicare during the year ended June 30, 2011.

OGB also provides eligible retirees Basic Term Life, Basic Plus Supplemental Term Life, Dependent Term Life and Employee Accidental Death and Dismemberment coverage, which is underwritten by The Prudential Insurance Company of America. The total premium is approximately \$1 per thousand dollars of coverage of which the employer pays one half of the premium. Maximum coverage is capped at \$50,000 with a reduction formula of 25% at age 65 and 50% at age 70, with accidental death & dismemberment coverage ceasing at age 70 for retirees.

ANNUAL OPEB COST

The Legislative Fiscal Office's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, would cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. A level percentage of payroll amortization method, open period, was used. The total ARC for the fiscal year beginning July 1, 2010 was \$200,492.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

ANNUAL OPEB COST (Continued)

The following table presents the Legislative Fiscal Office's OPEB Obligation for the year ending June 30, 2011. The table shows the components of each plan's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and changes in the plan's net OPEB obligation to the retiree health plan:

	Office of Group Benefits Plan	LSU System Health Plan	Total
Annual required contribution	\$ 190,900	\$ 9,592	\$ 200,492
Interest on net OPEB obligation	32,723	862	33,585
ARC adjustment	(31,260)	(655)	(31,915)
Annual OPEB Cost (expense)	192,363	9,799	202,162
Contributions made	(30,079)	-	(30,079)
Increase in Net OPEB Obligation	162,284	9,799	172,083
Beginning Net OPEB Obligation	818,086	17,245	835,331
Ending Net OPEB Obligation	<u>\$ 980,370</u>	<u>\$ 27,044</u>	<u>\$ 1,007,414</u>

The Legislative Fiscal Office's annual OPEB cost, the percentage of annual OPEB cost contributed to the plans and the net OPEB obligation for the fiscal year ended June 30, 2011, and the two preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
<u>OGB</u>			
June 30, 2011	\$ 192,363	15.64%	\$ 980,370
June 30, 2010	252,958	10.57%	818,086
June 30, 2009	308,960	9.79%	591,856
<u>LSU</u>			
June 30, 2011	\$ 9,799	0%	\$ 27,044
June 30, 2010	8,949	0%	17,245
June 30, 2009	4,296	0%	8,296

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

FUNDED STATUS AND FUNDING PROGRESS

Act 910 of the 2008 Regular Session established the Postemployment Benefits Trust Fund effective July 1, 2008; however, neither the Legislative Fiscal Office, nor the State of Louisiana has ever made contributions to it. Since the plan has not been funded, the Legislative Fiscal Office's entire actuarial accrued liability of \$2,344,800 for the OGB Plan was unfunded. The LSU System Health Plan does not use a trust fund to administer the financing of the plan and the payment of benefits.

The funded status of the plans, as determined by actuaries as of July 1, 2010, was as follows:

	Office of Group <u>Benefits Plan</u>	LSU System <u>Health Plan</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 2,344,800	\$ 44,597	\$ 2,389,397
Actuarial value of plan assts	-	-	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,344,800</u>	<u>\$ 44,597</u>	<u>\$ 2,389,397</u>
Funded ratio (actuarial value of plan assets/AAL)	0%	0%	0%
Covered payroll (annual payroll of active employees covered by the plans)			\$ 1,615,593
UAAL as a percentage of covered payroll			147.90%

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

7. POSTEMPLOYMENT HEALTH CARE AND LIFE INSURANCE BENEFITS: (Continued)

ACTUARIAL METHODS AND ASSUMPTIONS (Continued)

A summary of the actuarial assumptions is presented below:

	LSU System <u>Health Plan</u>	<u>State OGB Plan</u>
Actuarial valuation date	July 1, 2010	July 1, 2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percentage of payroll	Level percentage of payroll
Amortization period	30 years	30 years
Asset valuation method	none	none
Actuarial assumptions:		
Investment rate of return	5% annual rate	4% annual rate
Projected salary increases	4% per annum	5% per annum
Healthcare inflation rate	11% initial	8.5 – 9.6% initial
	5.0% ultimate	5.0% ultimate

8. PROFESSIONAL SERVICES:

Professional services included \$6,330 for economic analysis, data and forecasting.

9. RECONCILIATION:

The Statement of Net Assets and Statement of Activities present the Legislative Fiscal Office's fund balance/net assets from a fund perspective and an entity-wide perspective, using the current financial resources focus for the fund balance and the economic resources measurement focus for net assets. The amounts are reconciled as follows:

Fund Balance, June 30, 2011	\$ 1,336,439
Capital assets	19,458
Compensated absences	(224,940)
Other postemployment benefits payable	<u>(1,007,414)</u>
Net Assets, June 30, 2011	\$ <u>123,543</u>

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	Actual Amounts			Budgeted
		GAAP to		Amounts
	GAAP	Budget	Budgetary	Original
	Basis	Differences	Basis	and
		Over (Under)		Final
REVENUES:				
State appropriations	\$ 2,435,877	\$ -	\$ 2,435,877	\$ 2,435,877
Reappropriated fund balance (1)	-	1,252,136 (1)	1,252,136	1,252,136
Total revenues	<u>2,435,877</u>	<u>1,252,136</u>	<u>3,688,013</u>	<u>3,688,013</u>
EXPENDITURES:				
Personnel services	2,193,669	80,559 (2)	2,274,228	2,351,614
Professional services	6,330	-	6,330	7,000
Travel	907	-	907	10,000
Operating services	21,608	-	21,608	39,263
Supplies	20,295	-	20,295	13,000
Capital outlay	233	-	233	15,000
Total expenditures	<u>2,243,042</u>	<u>80,559</u>	<u>2,323,601</u>	<u>2,435,877</u>
Excess of revenues over expenditures	<u>192,835</u>	<u>1,171,577</u>	<u>1,364,412</u>	<u>1,252,136</u>
Net change in fund balance	192,835	1,171,577	1,364,412	1,252,136
Fund balances - beginning	1,143,604	108,532 (3)	1,252,136	-
Less reappropriated fund balance	-	(1,252,136) (1)	(1,252,136)	(1,252,136)
Fund balances - ended	<u>\$ 1,336,439</u>	<u>\$ 27,973</u>	<u>\$ 1,364,412</u>	<u>\$ -</u>

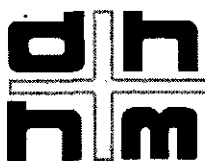
Explanations of differences:

- (1) Budgets include reappropriated fund balances carried over from prior years to cover expenditures of the current year. The results of operations on a GAAP basis do not recognize these amounts as revenue since they represent prior period's excess of revenues over expenditures.
- (2) Personnel services and related benefits are budgeted only to the extent expected to be paid, rather than on the modified accrual basis.
- (3) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the budget. (See Note 1 for a description of the Fiscal Office's budgetary accounting method.) This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above.

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLANS
FOR THE YEAR ENDED JUNE 30, 2011

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Office of Group Benefits Plan	7/1/2008	\$ -	\$ 3,435,600	\$ 3,435,600	0%	\$ 1,334,537	257.44%
LSU Health System Plan	7/1/2008	\$ -	\$ 18,000	\$ 18,000	0%	\$ 59,244	30.38%
Office of Group Benefits Plan	7/1/2009	\$ -	\$ 2,976,900	\$ 2,976,900	0%	\$ 1,425,131	208.89%
LSU Health System Plan	7/1/2009	\$ -	\$ 35,394	\$ 35,394	0%	\$ 64,361	54.99%
Office of Group Benefits Plan	7/1/2010	\$ -	\$ 2,344,800	\$ 2,344,800	0%	\$ 1,500,913	156.22%
LSU Health System Plan	7/1/2010	\$ -	\$ 44,597	\$ 44,597	0%	\$ 114,680	38.89%

REQUIRED SUPPLEMENTARY INFORMATION



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF L.A.C.P.A.'S

WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR., C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.
GRADY C. LLOYD, III, C.P.A.

ANN H. HEBERT, C.P.A.
HENRY L. SILVIA, C.P.A.

MICHAEL J. O'ROURKE, C.P.A.

A.J. DUPLANTIER JR., C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR., C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR., CPA
(1920-1996)
JAMES MAHER, JR., C.P.A.
(1921-1999)

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

October 25, 2011

Honorable Joel T. Chaisson II, Co-Chair
Honorable Jim Tucker, Co-Chair
Legislative Budgetary Control Council
State of Louisiana
Baton Rouge, LA 70804

We have audited the accompanying financial statements of the Legislative Fiscal Office, State of Louisiana, as of and for the year ended June 30, 2011 and have issued our report thereon dated October 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Legislative Fiscal Office's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Legislative Fiscal Office's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Legislative Fiscal Office's internal control over financial reporting.

1615 Poydras Street, Suite 2100 New Orleans, LA 70112 · (504) 586-8866 · Fax (504) 525-5888
1670 Old Spanish Trail Slidell, LA 70458 · (985) 649-9996 · Fax (985) 649-9940
247 Corporate Drive Houma, LA 70360 · (985) 868-2630 · Fax (985) 872-3833
www.dhhmcpa.com

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Legislative Fiscal Office, State of Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Legislative Fiscal Office, the Legislative Auditor and the Legislative Budgetary Control Council and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

LEGISLATIVE FISCAL OFFICE
STATE OF LOUISIANA
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Legislative Fiscal Office, State of Louisiana, for the year ended June 30, 2011 was unqualified.
2. Compliance and Other Matters
Noncompliance material to financial statements: None noted.
3. Internal Control
Material weaknesses: None noted.
Significant deficiencies: None noted.

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

NONE

SUMMARY OF PRIOR YEAR FINDINGS:

NONE